NATIONAL RIFLE ASSOCIATION OF AMERICA

FINANCIAL STATEMENTS

as of December 31, 2018 and 2017

AND

REPORT THEREON

NATIONAL RIFLE ASSOCIATION OF AMERICA

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Report of Independent Auditors

To the Board of Directors and Members of the
National Rifle Association of America

Report on the Financial Statements

We have audited the accompanying financial statements of National Rifle Association of America (NRA), which comprise the statements of financial position as of December 31, 2018 and 2017, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Rifle Association of America as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As disclosed in Note 1 to the financial statements, the NRA adopted the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The adoption of this standard resulted in the issuance of the statement of functional expenses and additional footnote disclosures and changes to the classification of net assets. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the accompanying financial statements are those of National Rifle Association of America only and are not those of the primary reporting entity. The consolidated financial statements of NRA and its affiliates have been issued as the general purpose financial statements of the reporting entity and should be read in conjunction with the parent-only statements. Our opinion is not modified with respect to this matter.

RSM US LLP

McLean, Virginia
March 13, 2019

NATIONAL RIFLE ASSOCIATION OF AMERICA
STATEMENTS OF FINANCIAL POSITION
as of December 31, 2018 and 2017

ASSETS

	2018	2017
Cash and cash equivalents	$ 23,780,301	$ 17,123,743
Investments	45,094,991	48,702,736
Pledges receivable, net	841,562	1,184,593
Accounts receivable, net	41,458,041	36,129,175
Due from affiliates	28,696,533	30,731,975
Inventories and supplies, net	10,632,177	13,639,054
Prepaid expenses	3,179,694	3,277,662
Notes receivable, net	3,000,000	3,000,000
Property and equipment, net	32,709,031	34,475,160
Other assets	7,819,750	7,861,583
Total assets	$ 197,212,080	$ 196,125,681

LIABILITIES AND NET ASSETS

	2018	2017
Accounts payable	$ 31,190,974	$ 29,837,446
Accrued liabilities	55,270,648	62,814,166
Note payable and line of credits	48,138,412	47,121,100
Deferred revenue	46,580,520	31,402,766
Total liabilities	181,180,554	171,175,478
Net assets (deficit):		
Without donor restrictions		
Net assets without donor restrictions	(16,665,676)	2,897,932
Cumulative pension liability	(19,611,103)	(33,256,864)
Total net deficit without donor restrictions	(36,276,779)	(30,358,932)
With donor restrictions	52,308,305	55,309,135
Total net assets	16,031,526	24,950,203
Total liabilities and net assets	$ 197,212,080	$ 196,125,681

The accompanying notes are an integral part of these financial statements.

NATIONAL RIFLE ASSOCIATION OF AMERICA
STATEMENTS OF ACTIVITIES
for the years ended December 31, 2018 and 2017

	2018 Without Donor Restrictions	2018 With Donor Restrictions	2018 Total	2017 Without Donor Restrictions	2017 With Donor Restrictions	2017 Total
Revenue and other support:						
Members' dues	$ 170,391,374	$ -	$ 170,391,374	$ 128,209,303	$ -	$ 128,209,303
Program fees	8,119,717	-	8,119,717	10,081,009	-	10,081,009
Contributions	93,618,315	16,658,239	110,276,554	74,999,176	24,160,917	99,160,093
Advertising	25,023,714	-	25,023,714	28,344,743	-	28,344,743
Member sales	3,667,968	-	3,667,968	3,758,418	-	3,758,418
Shows and exhibits	20,516,030	-	20,516,030	21,204,275	-	21,204,275
Investment income, net	1,694,315	435,393	2,129,708	4,544,301	271,355	4,815,656
Insurance administration fees	12,625,210	-	12,625,210	14,563,405	-	14,563,405
Rental income	1,357,108	-	1,357,108	1,255,235	-	1,255,235
Other	6,127,175	(650,091)	5,477,084	7,205,826	772,800	7,978,626
Assets released from restrictions	18,481,638	(18,481,638)	-	20,230,894	(20,230,894)	-
Total revenue and other support	361,622,564	(2,038,097)	359,584,467	314,396,585	4,974,178	319,370,763
Expenses:						
Program services:						
Legislative programs	43,376,477	-	43,376,477	36,740,357	-	36,740,357
Publications	36,460,383	-	36,460,363	36,904,080	-	36,904,080
Public affairs	37,931,825	-	37,931,825	44,138,732	-	44,138,732
Shows and exhibits	17,786,603	-	17,786,603	18,909,415	-	18,909,415
Competitions	4,586,644	-	4,586,644	4,702,453	-	4,702,453
Education and training	6,022,846	-	6,022,846	7,686,318	-	7,686,318
Hunter services	1,558,662	-	1,558,662	3,958,334	-	3,958,334
Field services	5,859,291	-	5,859,291	11,882,064	-	11,882,064
Law enforcement	3,853,649	-	3,853,649	3,805,344	-	3,805,344
Recreational shooting	7,327,265	-	7,327,265	7,200,332	-	7,200,332
	164,763,625	-	164,763,625	175,927,429	-	175,927,429
Member services and acquisition	77,898,138	-	77,898,138	76,546,402	-	76,546,402
Administrative	27,860,599	-	27,860,599	10,125,180	-	10,125,180
Executive office	39,052,148	-	39,052,148	32,077,548	-	32,077,548
Fundraising	57,158,230	-	57,158,230	48,581,269	-	48,581,269
Total expenses	366,732,740	-	366,732,740	343,257,828	-	343,257,828
Change in net assets before other changes	(5,110,176)	(2,038,097)	(7,148,273)	(28,861,243)	4,974,178	(23,887,065)
Unrealized (loss) gain on investments, net	(4,066,534)	(962,733)	(5,029,267)	1,472,290	787,771	2,260,061
Unrealized gain on derivative instrument	745,782	-	745,782	952,998	-	952,998
(Loss) gain on interest in interrelated entity	(2,414,024)	-	(2,414,024)	2,731,203	-	2,731,203
Net gain on pension obligation	4,927,105	-	4,927,105	6,778,316	-	6,778,316
Change in net assets	(5,917,847)	(3,000,830)	(8,918,677)	(16,926,436)	5,761,949	(11,164,487)
Net assets (deficit), beginning of year as previously presented	(30,358,932)	55,309,135	24,950,203	(14,853,143)	50,967,833	36,114,690
Reclassification to implement ASU 2016-14						
Underwater endowments	-	-	-	1,420,647	(1,420,647)	-
Net assets (deficit), end of year as reclassified	$ (36,276,779)	$ 52,308,305	$ 16,031,526	$ (30,358,932)	$ 55,309,135	$ 24,950,203

The accompanying notes are an integral part of these financial statements.

NATIONAL RIFLE ASSOCIATION OF AMERICA
STATEMENTS OF FUNCTIONAL EXPENSES
for the years ended December 31, 2018 and 2017

2018

	Legislative	Publications	Public Affairs	Shows & Exhibits	Competitions	Education & Training	Hunter Services	Field Services	Law Enforcement	Recreational Shooting	Total Program Expenses	Member Svc & Acq.	Administrative	Executive	Advancement/ Fundraising	Total
Salaries, benefits and taxes	$15,516,932	$ 8,338,809	$ -	$ 2,538,045	$ 1,639,311	$ 1,856,151	$ 499,592	$ 1,305,682	$ 1,880,552	$ 2,778,605	$ 38,351,669	$ 4,950,566	$ 3,315,637	$14,277,182	$ 3,661,033	$ 62,556,087
Office supplies	2,131,184	138,278	-	1,647,194	446,787	117,169	16,725	546,027	149,836	304,830	5,498,108	188,108	88,200	329,087	589,680	6,668,184
Travel & entertainment	2,401,888	597,119	-	486,465	384,330	222,612	37,991	908,604	601,658	207,311	5,905,948	217,489	127,892	1,290,942	929,957	6,472,208
Fulfillment material	-	-	-	-	68,985	322,387	-	-	113,293	87,701	572,348	7,836,029	-	-	2,072,449	10,480,623
Occupancy	662,745	346,741	-	80,512	153,200	260,776	7,884	128,707	142,154	1,128,587	2,891,108	416,298	651,700	444,231	397,187	4,802,502
Data processing	909,644	677,843	-	566,625	681,547	1,105,153	-	1,381,442	490,529	531,503	6,544,288	1,180,177	283,313	2,834,297	885,059	11,707,131
Printing and publications	-	25,298,139	-	-	-	-	-	-	-	-	25,298,139	-	-	-	-	25,298,139
Member communications	-	-	-	-	-	-	-	-	-	-	-	58,885,128	-	-	29,373,954	88,359,082
Advertising	-	-	-	-	-	-	-	-		-	-	-	-	-	11,381,850	11,381,850
Committee & annual mtgs	-	-	-	-	-	-	-	-	-	-	-	-	-	3,169,779	-	3,169,779
Legal, audit and taxes	8,633,176	-	-	-	-	-	-	-	-	-	8,633,176	-	21,558,748	-	1,170,467	31,382,393
Professional services and other	12,542,230	882,399	37,505,494	8,912,528	883,499	1,321,499	980,501	878,213	288,794	1,084,886	65,088,143	3,389,839	379,291	18,127,565	8,263,488	91,268,125
Depreciation & amortization	357,283	270,239	426,331	77,550	95,999	105,998	13,203	590,003	86,957	612,937	2,638,510	818,234	910,191	434,986	281,629	4,879,550
Cost of merchandise sold	-	-	-	3,477,651	2,282	624,782	441	-	44,811	239,203	4,389,150	-	-	-	-	4,309,150
Interest expense	219,425	114,801	-	20,034	50,722	88,339	2,544	42,613	47,065	373,501	957,044	138,492	585,629	147,078	131,498	1,939,740
	$43,376,477	$38,460,383	$37,931,825	$17,786,603	$ 4,588,644	$ 6,022,848	$ 1,558,662	$ 5,859,291	$ 3,853,849	$ 7,327,285	$ 164,763,825	$ 77,898,138	$27,860,599	$39,052,148	$57,158,230	$ 368,732,740

2017

	Legislative	Publications	Public Affairs	Shows & Exhibits	Competitions	Education & Training	Hunter Services	Field Services	Law Enforcement	Recreational Shooting	Total Program Expenses	Member Svc & Acq.	Administrative	Executive	Advancement/ Fundraising	Total
Salaries, benefits and taxes	$13,713,230	$ 6,544,090	$ -	$ 2,119,332	$ 1,798,030	$ 2,538,458	$ 678,355	$ 7,408,603	$ 1,897,321	$ 2,937,283	$ 41,828,700	$ 4,888,582	$ 3,285,130	$13,030,922	$ 3,958,228	$ 68,789,582
Office supplies	1,632,532	134,864	-	1,854,084	615,305	182,283	71,747	583,359	140,335	382,933	5,577,520	182,495	61,918	325,672	540,919	8,688,495
Travel & entertainment	2,091,359	674,177	-	601,751	378,050	260,624	74,738	1,098,148	557,453	268,593	6,002,893	276,867	102,519	1,199,726	1,101,240	8,683,247
Fulfillment material	-	-	-	-	47,528	420,492	-	-	147,047	73,557	888,825	7,588,562	-	-	2,073,088	10,350,275
Occupancy	804,016	316,015	-	55,149	139,624	351,906	7,003	117,302	129,557	1,028,583	2,749,157	381,232	818,900	392,612	235,042	4,376,943
Data processing	728,244	815,247	-	393,123	783,690	1,450,044	-	1,226,630	437,161	357,678	6,171,817	1,075,181	288,935	2,401,703	803,432	10,741,068
Printing and publications	-	25,348,243	-	-	-	-	-	-	-	-	25,348,243	-	-	-	-	25,348,243
Member communications	-	-	-	-	-	-	-	-	-	-	-	58,718,873	-	-	21,192,242	78,881,115
Advertising	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,243,229	10,243,229
Committee & annual mtgs	-	-	-	-	-	-	-	-	-	-	-	-	-	2,561,307	-	2,561,307
Legal, audit and taxes	8,612,772	-	-	-	-	-	-	-	-	-	6,612,772	-	4,356,093	-	923,660	11,892,525
Professional services and other	10,770,389	716,266	43,787,728	10,243,198	800,454	1,609,352	3,104,763	770,529	310,477	927,253	73,040,421	2,703,402	156,650	11,675,181	7,173,832	94,749,465
Depreciation & amortization	378,762	244,664	351,004	74,390	99,139	106,545	21,065	638,508	65,774	592,333	2,590,204	598,037	892,553	353,268	284,235	4,716,295
Cost of merchandise sold	-	-	-	3,549,119	15,848	645,682	198	0	54,952	293,043	4,558,840	-	-	-	-	4,558,840
Interest expense	211,041	110,414	-	19,269	48,784	122,954	2,447	40,985	45,267	359,078	960,237	133,201	382,482	137,177	82,122	1,675,219
	$36,740,357	$36,904,080	$44,138,732	$18,909,415	$ 4,702,453	$ 7,888,316	$ 3,958,334	$11,882,084	$ 3,805,344	$ 7,200,332	$ 175,927,429	$ 76,548,402	$10,125,180	$32,077,548	$48,581,269	$ 343,257,828

The accompanying notes are an integral
part of these financial statements.

NATIONAL RIFLE ASSOCIATION OF AMERICA

STATEMENTS OF CASH FLOWS

for the years ended December 31, 2018 and 2017

		2018		2017
Cash flows from operating activities:				
Changa in net assets	$	(8,918,677)	$	(11,164,487)
Adjustments to reconcile change in net assets to net cash provided by (used in) oparating activilies:				
Depreciation and amortization		4,879,550		4,718,295
Provision for losses on pladges receivable		10,961		7,711
Provision for losses on accounts receivable		4,671,652		6,324,662
Provision for losses on invantory		150,000		360,692
Contributions restricted for long-term investment		(1,781,726)		(2,144,164)
Net unrealized and realized loss (gain) on investments		4,030,931		(6,313,424)
Unreallzed gain on derivative instrument		(745,782)		(952,998)
Nat gain on pension obligation		(4,927,105)		(6,778,316)
Net loss on disposal of assets		249,751		31,495
Changes in assets and liabilities:				
Decrease In pledges recelvabla		332,070		323,999
(Increase) decrease in accounts receivable, net		(10,000,518)		7,094,143
Decrease (increase) in dua from affiliates		2,035,442		(3,327,840)
Decrease in inventories and supplies, net		2,856,877		3,209,377
Decrease in prepaid axpenses		97,968		510,355
Decreasa (increasa) in other assets		41,833		(425,438)
Increase (decreasa) in accounts payable		1,353,528		(5,351,028)
(Decrease) increase in accrued liabilities		(1,870,631)		6,974,744
Increase (decreasa) in defarred revenue		15,177,754		(8,021,797)
Total adjustments		16,562,555		(3,759,532)
Net cash provided by (used in) operating activities		7,643,878		(14,924,019)
Cash flows from investing activities:				
Sales of investments		9,261,323		27,222,671
Purchases of investments		(9,684,509)		(16,431,830)
Purchases of property and equipment		(3,363,172)		(1,888,920)
Net cash (used in) provided by Investing activities		(3,786,358)		8,901,921
Cash flows from financing activities:				
Principal paymants on nota payabla		(1,107,008)		(1,039,944)
Principal paymants on lines of credit		(150,171,240)		(132,737,519)
Draw downs on lines of credit and proceeds on nota payable		152,295,560		138,060,439
Proceeds from life insurance policy loans		3,500,000		3,500,000
Principal payments on life insurance policy loans		(3,500,000)		-
Contributions restricted for long-term investmanl		1,781,726		2,144,164
Nat cash providad by financing activities		2,799,038		9,927,140
Net increasa in cash and cash aquivalents		6,656,558		3,905,042
Cash and cash equivalents at beginning of year		17,123,743		13,218,701
Cash and cash equivalents at end of year	$	23,780,301	$	17,123,743
Supplemental disclosure of cash flow information:				
Cash paid during tha year for Intarest	$	1,945,983	$	1,680,243

Tha accompanying notes ara an integral part of these financial statements.

NATIONAL RIFLE ASSOCIATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

The National Rifle Association of America (NRA), founded in 1871, is a not-for-profit corporation supported by the membership fees of public-minded citizens and clubs. Its primary purpose is to protect and defend the Constitution of the United States of America, especially the political, civil and inalienable rights of the American people to keep and bear arms as a common law and Constitutional right of the individual citizen.

The NRA's Board of Directors formed the Institute for Legislative Action (ILA) in 1975 as an internal division of the NRA. The purpose of ILA is to prevent the passage of laws and regulations restricting firearms ownership, as well as pursuing changes to existing restrictions imposed by federal, state and local governments. ILA is supported principally by contributions from NRA members.

Basis of Presentation

The NRA publishes financial statements in the NRA's annual report that include the financial statements of certain affiliated entities, which are its primary financial statements for the years ended December 31, 2018 and 2017. These financial statements for the years ended December 31, 2018 and 2017 are not intended to be the general purpose financial statements of the NRA and have been prepared in conformity with accounting principles that would otherwise be considered a departure from accounting principles generally accepted in the United States of America because certain affiliated organizations are not consolidated.

Affiliates of the NRA whose financial activities are not included in these financial statements of the NRA include the following: the NRA Foundation, Inc. (Foundation), the NRA Civil Rights Defense Fund (CRDF), the NRA Political Victory Fund (PVF), the NRA Special Contribution Fund (SCF) and the NRA Freedom Action Foundation (FAF).

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and other support and expenses during the reporting period. Actual results could differ from those estimates.

Certain amounts from the prior year have been reclassified to conform with the current year presentation. These reclassifications had no effect on the previously reported net assets or change in net assets.

Classification of Net Assets

To identify the observance of limitations and restrictions placed on the use of the resources available to the NRA, the accounts of the NRA are maintained in two separate classes of net assets: without donor restrictions, and with donor restrictions, based on the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions represent resources that are not restricted by donor-imposed stipulations. They are available for support of the NRA's general operations.

Net assets with donor restrictions represent contributions and other inflows of assets whose use by the NRA for its programs are limited by donor-imposed stipulations. Some donor-imposed restrictions are temporary in that they either expire by passage of time or can be fulfilled and removed by actions of the NRA pursuant to those stipulations. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

Highly liquid investments, consisting principally of money market funds, under the control of the NRA's investment managers, are considered investments. However, the NRA considers any other investments with an original maturity of three months or less at the date of purchase to be cash equivalents. The NRA generally invests these excess funds in repurchase agreements for U.S. government securities. The maturity date of these repurchase agreements is the next day of business. Due to the short-term nature of these agreements, the NRA does not take possession of the securities, which are instead held by the NRA's principal bank from which it purchases the securities. The carrying value of the investments approximates fair value because of the short maturity of the agencies. The NRA believes that it is not exposed to any significant risk on its investments in repurchase agreements. Substantially all the cash and cash equivalents were held at one financial institution in Virginia at December 31, 2018 and 2017.

Concentrations of Credit Risk

The NRA maintains a cash balance in excess of federally insured limits in an interest bearing account. The NRA's policy is to deposit funds only in financially sound institutions. Nevertheless, these deposits are subject to some degree of credit risk. Investments are maintained in financial institutions.

Concentrations of credit risk with respect to accounts receivable that are not collateralized are limited due to the large number of members comprising the NRA's membership base and their dispersion across many different geographies.

The NRA invests in a professionally managed portfolio that primarily contains money market funds, equity securities, fixed income securities, and alternative investments. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risk in the near term would materially affect investment balances and the amounts reported in the financial statements.

Investments

Investments consist primarily of money market funds, equity securities, fixed income securities, and alternative investments. Investments in money market funds, equity securities and fixed income securities are carried at fair value as determined by an independent market valuation service using the closing prices at the end of the period. In calculating realized gains and losses, the cost of securities sold is determined by the specific-identification method. To adjust the carrying value of the investments, the change in fair value is included in other changes in the statements of activities. Interest income and dividends are recorded on the accrual basis.

Alternative investments are valued at fair value based on the applicable net asset value per share as of the measurement date, which is a practical expedient, as determined by the NRA. In determining fair value, the NRA utilizes valuations provided by the fund managers. The underlying investments value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investments, which may include private placements and other securities for which prices are not readily available, are determined by the general partner of the investment and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these

investments. The fair value of the NRA's alternative investments generally represents the amount the NRA would expect to receive if it were to liquidate its investment excluding any redemption charges that may apply.

Pledges Receivable

Pledges receivable due in more than one year have been recorded at the present value of estimated cash flows. An allowance for uncollectible pledges receivable is provided based upon management's judgment of potential defaults.

Accounts Receivable

Membership dues, advertising and other accounts receivable are recorded at the invoiced amount and do not bear interest. Membership contributions receivables are recorded when received. The allowance for doubtful accounts is the NRA's best estimate of the amount of probable credit losses in existing accounts receivable. The NRA determines the membership dues accounts receivable allowance based on the aging of accounts receivable, where three or more monthly or quarterly invoices are past due. The NRA determines all other allowances based on historical write-off experience and specific identification. The allowances for doubtful accounts are reviewed monthly and accounts receivable balances are written off against the allowance when the NRA feels probable the receivable will not be recovered.

Inventories and Supplies

Inventories and supplies are stated at the lower of cost or net realizable value, with costs determined using the first-in, first-out method. Provisions are made to reduce the inventories to net realizable value in cases of obsolescence.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Donated assets are recorded at the appraised or estimated fair value at the time of donation. Expenditures for maintenance and repairs, which do not prolong the useful lives of the assets, are expensed. Depreciation is computed on the straight-line method over the assets' estimated useful lives. Buildings and improvements are depreciated over useful lives ranging from 20 to 45 years, other property and equipment is depreciated over two to ten years. The NRA capitalizes complete desktop and laptop computers greater than $500 and all other fixed assets greater than $1,500.

Members' Dues

A portion of members' dues that represents the present value of the cost of the magazine that is a benefit of membership for the given membership term is deferred and amortized over the life of the membership. The portion considered a contribution is recorded as dues revenue when the membership is received.

Contributions

Unconditional contributions, whether without donor restrictions or with donor restrictions, are recognized as revenue when received and classified in the appropriate net asset category. When the temporary restrictions are met by the NRA which were specified by the donor, contributions with restrictions are released from restriction and are recognized in the net asset without restrictions category.

Revenue Recognition

Program fees, advertising, member sales, shows and exhibit sales, and insurance administration fees are recognized as revenue when earned. Rental income is recognized on a straight-line basis over the term of the lease.

Derivative Financial Instruments

Interest rate swaps are entered into to manage interest rate risks associated with the NRA's borrowing. Interest rate swaps are accounted for in accordance with the Financial Accounting Standards Board Accounting Standard Codification (the Codification) topic, *Derivatives and Hedging*, under which the NRA is not allowed to use cash flow hedging. Therefore, the interest rate swap is recorded in the statements of financial position at fair value with fair value changes recorded as an unrealized gain on derivative instrument on the statements of activities and statements of cash flows (Note 9).

Valuation of Long-Lived Assets

Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less cost to sell. The NRA had no impairments of long-lived assets during 2018 or 2017.

Outstanding Legacies

The NRA is the beneficiary under various wills and other agreements, the total realizable amounts of which are not presently determinable. The NRA's share of such amounts is not recorded until the NRA has an irrevocable right to the bequest and the proceeds are measurable.

Functional Allocation of Expenses

The costs of providing program services and supporting activities have been accounted for on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities. Such allocations are determined by management on an equitable basis. Occupancy and interest expenses are allocated based on square footage. Certain depreciation is directly charged to applicable areas and certain depreciation is allocated based on square footage or number of employees. Data processing and certain executive salaries and benefits are allocated based on time and effort.

Adopted accounting pronouncement

In August 2016, the FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The amendments in this ASU are intended to make improvements to the information provided in the financial statements and the accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The ASU was adopted by the NRA in 2018.

Pending accounting pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019.In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in generally accepted accounting principles in the United States of America (U.S. GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The NRA has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional contributions and unconditional contributions. The updated standard will be effective for resource recipients for annual reporting periods beginning after December 15, 2018 and resource providers one year later. Management is currently evaluating the effect on the financial statements.

Tax Status

The NRA is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code and from state income taxes. The NRA activities that cause imposition of the unrelated business income tax provision of the Code result in no significant tax liability.

The NRA follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the NRA may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the NRA's tax positions and concluded that the NRA had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Subsequent Events

The NRA evaluated subsequent events through March 13, 2019, which is the date the financial statements were available to be issued.

2. AVAILABILITY AND LIQUIDITY

The following represents NRA's financial assets and liquidity resources at December 31, 2018 and 2017:

	2018	2017
Financial assets at year-end:		
Cash and cash equivalents	$ 23,780,301	$ 17,123,743
Accounts receivable available within one year, net	14,310,969	12,463,413
Due from affiliates	5,315,563	7,854,291
Investments	45,094,991	48,702,736
Total financial assets	$ 88,501,824	$ 86,144,183
Less amounts not available to be used within one year:		
Net assets with donor restrictions	28,927,335	32,431,451
	28,927,335	32,431,451
Financial assets available to meet general expenditures over the next twelve months	$ 59,574,489	$ 53,712,732

The NRA maintains a policy of structuring its financial assets to be available as its general operating expenses come due. In addition, to manage liquidity the NRA maintains a line of credit with a bank that is drawn upon as needed during the year to manage cash flows.

3. INVESTMENTS

Investments as of December 31, 2018 and 2017 consist of:

	2018	2017
Money market funds	$ 157,520	$ 640,820
Equity securities	32,640,202	38,484,411
Fixed income securities	8,021,148	3,056,353
Alternative investments	3,405,044	5,874,330
Other	871,077	646,822
	$ 45,094,991	$ 48,702,736

Investment (loss) income for the years ended December 31, 2018 and 2017 includes the following:

	2018	2017
Realized gains, net	$ 998,336	$ 4,053,363
Dividends and interest	1,131,372	762,293
	2,129,708	4,815,656
Unrealized (losses) gains, net	(5,029,267)	2,260,061
	$ (2,899,559)	$ 7,075,717

Interest income of $120,000 and $120,000, earned from notes receivable for 2018 and 2017, respectively, is included in dividends and interest.

4. PLEDGES RECEIVABLE

At December 31, 2018 and 2017, donors to the NRA have unconditionally promised to give amounts as follows:

	2018	2017
Within one year	$ 112,900	$ 197,286
One to five years	116,537	298,006
More than five years	621,799	753,169
	851,236	1,248,461
Less: discount of pledges receivable	(362)	(18,595)
	850,874	1,229,866
Less: allowance for uncollectible pledges	(9,312)	(45,273)
	$ 841,562	$ 1,184,593

Pledges due in more than one year have been recorded at the present value of estimated cash flows, discounted by rates ranging from 0.88% to 2.22%.

5. ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2018 and 2017 consist of:

	2018	2017
Membership	$ 48,428,577	$ 40,354,236
Contributions	3,603,517	3,119,379
Advertising	3,149,717	3,412,352
Other	1,274,664	1,353,358
	56,456,475	48,239,325
Less: allowance for doubtful accounts	14,998,434	12,110,150
	$ 41,458,041	$ 36,129,175

Following are the changes in the allowance for doubtful accounts during the years ended December 31, 2018 and 2017, respectively:

	2018	2017
Allowance at beginning of year	$ 12,110,150	$ 16,478,863
Provision for losses on accounts receivable	4,671,652	6,324,662
Write-offs, net of recoveries	(1,783,368)	(10,693,375)
Allowance at end of year	$ 14,998,434	$ 12,110,150

6. INVENTORIES AND SUPPLIES

Inventories and supplies as of December 31, 2018 and 2017 consist of:

	2018	2017
Sales inventories	$ 2,549,261	$ 3,667,792
Supplies:		
Magazine paper	1,997,175	1,650,439
Fulfillment and promotional materials	6,066,869	9,048,870
Other	967,588	63,664
	11,580,893	14,430,765
Less: obsolescence allowance	948,716	791,711
	$ 10,632,177	$ 13,639,054

7. NOTES RECEIVABLE

Notes receivable as of December 31, 2018 and 2017 consist of:

	Interest Rate	2018	2017
NRA Special Contribution Fund	4.0%	$ 3,000,000	$ 3,000,000

The note receivable from the SCF is a demand note, collateralized by a first deed of trust on approximately 33,300 acres of land south of Raton, New Mexico. During the years ended December 31, 2018 and 2017, interest in the amount of $120,000 and $120,000 respectively, was recorded. The total interest receivable remaining at December 31, 2018 and 2017, respectively, is $3,639,073 and is included in other assets in the statements of financial position.

8. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2018 and 2017 consist of:

	2018	2017
Land	$ 5,380,792	$ 5,380,792
Buildings and improvements	55,410,753	54,253,187
Furniture, fixtures and equipment	18,634,456	17,994,728
	79,426,001	77,628,707
Less: accumulated depreciation	46,716,970	43,153,547
	$ 32,709,031	$ 34,475,160

Depreciation expense for the years ended December 31, 2018 and 2017 was $4,879,550 and $4,718,295, respectively.

9. NOTES PAYABLE AND CREDIT AGREEMENTS

At December 31, 2018 and 2017, $17,680,174 and $18,787,182, respectively, was payable under a credit agreement with a bank, which expires on October 1, 2019. Under the terms of this agreement, the NRA pays a fixed rate of 6.08%.

This credit agreement incorporates an interest rate swap agreement. This swap agreement is recognized on the statements of financial position in accrued liabilities at its fair value of $429,922 and $1,175,704 as of December 31, 2018 and 2017, respectively.

The NRA maintained a $25,000,000 line of credit agreement which expired on September 27, 2018. Under the terms of this agreement, the NRA made monthly interest payments on the daily outstanding principal at a variable rate based on the 30-day LIBOR rate, plus 0.60%. On September 27, 2018, the NRA entered into a $28,000,000 line of credit agreement which expires September 27, 2021. Under the terms of this agreement, the NRA makes monthly interest payments on the daily outstanding principal at a variable rate based on the 30-day LIBOR rate, plus 0.70%. At December 31, 2018 and 2017, $25,458,238 and $23,333,918 was payable under the different agreements at interest rates of 3.10% and 2.16%, respectively.

During 2017, the NRA entered a secured loan agreement with the Foundation where the NRA's accounts receivable served as collateral, which expired on February 2, 2018. Under the terms of this agreement, the NRA made annual interest payments of 7.00%. In January 2018, the agreement was amended to extend the loan to June 2, 2018 with interest to be paid monthly. The loan, however, was repaid in March 2018. During 2018, the NRA entered another secured loan agreement with the Foundation where the NRA's accounts receivable serve as collateral, which expires October 3, 2019. Under the terms of this agreement, the NRA makes monthly interest payments of 7.00%. At December 31, 2018 and 2017, $5,000,000 was payable under the agreement.

On the $28,000,000 line of credit agreement, the NRA has pledged as collateral $34,741,486 at December 31, 2018, in cash and investments held in certain custodial accounts by the bank. For the credit agreement, the NRA has also pledged as collateral a Deed of Trust on the NRA Headquarters Building.

The NRA is subject to financial covenants associated with the credit agreement and lines of credit agreements. The NRA must maintain minimum cash and investment balances.

The annual minimum payments related to these obligations at December 31, 2018 are as follows:

2019	$ 22,680,173
2020	-
2021	25,458,239
Total minimum future payments	$ 48,138,412

Interest expense for the years ended December 31, 2018 and 2017, was $1,830,724 and $1,585,858, respectively.

10. FAIR VALUE MEASUREMENTS

The NRA follows the Codification on *Fair Value Measurement*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The NRA's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

In determining the appropriate levels, the NRA performs a detailed analysis of the assets and liabilities that are subject to fair value measurements. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The estimated fair values of the NRA's short-term financial instruments, including receivables and payables arising in the ordinary course of operations, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

The carrying value of the NRA's note payable and credit agreement approximates fair value as the interest rate on the credit agreement's underlying instruments fluctuate with market rates.

The tables below present the balances of each class of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy.

	As of December 31, 2018		
	Total	Level 1	Level 2
Available-for-sale equity securities:			
Consumer discretionary	$ 254,630	$ 254,630	$ -
Consumer staples	425,035	425,035	-
Energy	945,645	945,645	-
Financial services	97,545	97,545	-
Healthcare	382,118	382,118	-
Industrials	246,862	246,862	-
Information technology	815,491	815,491	-
Materials	1,594,010	1,594,010	-
Multi-strategy mutual funds	27,601,940	27,601,940	-
Telecommunications	276,926	276,926	-
Total available-for-sale equity securities	32,640,202	32,640,202	-
Available-for-sale fixed income securities:			
Multi-strategy bond funds	8,021,148	8,021,148	-
Money market	157,520	157,520	-
Alternative investments:			
Multi-strategy fund-of-funds (measured using a net asset value per share (or its equivalent) practical expedient)	3,405,044	-	-
Investments at fair value	$ 44,223,914	$ 40,818,870	$ -
Other investments	871,077		
Total investments	$ 45,094,991		
Other assets – multi-strategy mutual funds:			
Deferred compensation plan	$ 2,949,908	$ 2,949,908	$ -
Supplemental executive retirement plan	1,055,242	1,055,242	-
Total other assets	$ 4,005,150	$ 4,005,150	$ -
Total assets	$ 49,100,141	$ 44,824,020	$ -
Interest rate swap	$ (429,922)	$ -	$ (429,922)
Deferred compensation liability	(2,949,908)	-	(2,949,908)
Supplemental executive retirement liability	(1,055,242)	-	(1,055,242)
Total liabilities	$ (4,435,072)	$ -	$ (4,435,072)

	As of December 31, 2017		
	Total	Level 1	Level 2
Available-for-sale equity securities:			
Consumer discretionary	$ 312,920	$ 312,920	$ -
Consumer staples	583,095	583,095	-
Energy	441,004	441,004	-
Financial services	21,721	21,721	-
Healthcare	355,704	355,704	-
Industrials	347,757	347,757	-
Information technology	1,356,506	1,356,506	-
Materials	1,837,405	1,837,405	-
Multi-strategy mutual funds	33,097,623	33,097,623	-
Telecommunications	130,676	130,676	
Total available-for-sale equity securities	38,484,411	38,484,411	-
Available-for-sale fixed income securities:			
Multi-strategy bond funds	3,056,353	3,056,353	-
Money market	640,820	640,820	-
Alternative investments:			
Multi-strategy fund-of-funds [measured using a net asset value per share (or its equivalent) practical expedient]	5,874,330	-	-
Investments at fair value	$ 48,055,914	$ 42,181,584	$ -
Other Investments	646,822		
Total investments	$ 48,702,736		
Other assets – multi-strategy mutual funds:			
Deferred compensation plan	$ 2,886,533	$ 2,886,533	$ -
Supplemental executive retirement plan	1,156,982	1,156,982	-
Total other assets	$ 4,043,515	$ 4,043,515	$ -
Total assets	$ 52,746,251	$ 46,225,099	$ -
Interest rate swap	$ (1,175,704)	$ -	$ (1,175,704)
Deferred compensation liability	(2,886,533)	-	(2,886,533)
Supplemental executive retirement liability	(1,156,982)	-	(1,156,982)
Total liabilities	$ (5,219,219)	$ -	$ (5,219,219)

Money market funds, equity securities and fixed income securities are classified as Level 1 instruments as they are actively traded on public exchanges.

Deferred compensation plan and supplemental executive retirement plan assets are based upon the fair market value of those assets, which are observable inputs and classified as Level 1. The deferred compensation liability is not publically traded and is, therefore, considered Level 2.

The NRA's swap agreement is valued based on quoted values stated by the bank's mark-to-market estimate using stated fixed rate and LIBOR interest ratings. The interest rate is observable at commonly quoted indexes for the full term of the instrument and is, therefore, considered a Level 2 item.

The table below presents additional information regarding the alternative investments.

	2018 Fair Value	2017 Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-strategy fund-of-funds (a)	$ -	$ 2,408,648	$ -	quarterly	65 days
Multi-strategy fund-of-funds (b)	3,020,588	3,043,894	-	semi-annually	105 days
Multi-strategy fund (c)	384,456	421,788	-	daily	1 day
	$ 3,405,044	$ 5,874,330	$ -		

(a) This class invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The hedge funds' composite portfolio for this class includes investments in long, short equity portfolio funds (investments in emerging markets and multiple sectors), directional macro strategy funds (investments in trade futures, options, futures and foreign exchange contracts, and diversified markets), event driven portfolio funds (investments in risk arbitrage, distressed and special situations, and opportunistic investing), relative value portfolio funds (investments in arbitrage, commodity trading advisors and market neutral strategies), and global asset allocation portfolio funds (investment in currencies, bonds, global equities and equity indices). The fair value of the investments in this class have been estimated using the net asset value per share of the investments.

(b) This class invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The hedge fund-of-funds' composite portfolio for this class includes investments in private investment companies (investment in global, distressed/credit, domestic healthcare and other) and securities (common stock). The fair value of the investments in this class have been estimated using the net asset value per share of the investments.

(c) This class invests in a managed futures product that pursue multiple strategies to diversify risks and reduce volatility. The multi-strategy fund composite portfolio for this class includes investments in private investment companies (investment in currency, bonds, interest rates, commodities and other) and securities (common stock). The fair value of the investments in this class have been estimated using the net asset value per share of the investment.

11. NET ASSETS WITH DONOR RESTRICTIONS AND DONOR RESTRICTED ENDOWMENT

Net assets with donor restrictions are available for the following purposes:

	2018	2017
Legislative programs	$ 21,246,525	$ 21,468,256
National Firearms Museum	9,101,835	10,139,854
Education and training	6,298,991	6,641,962
Recreational Shooting	2,973,902	3,270,389
Hunter services	5,546,494	5,769,085
Competitions	1,492,184	1,481,987
Field services	255,055	283,422
Law enforcement	819,764	712,791
Community outreach	76,385	61,663
Other	4,424,698	4,687,453
Other, passage of time	72,472	792,273
Total	$ 52,308,305	$ 55,309,135

The NRA follows the Codification subtopic *Reporting endowment funds.* The Codification addresses accounting issues related to guidelines in the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was adopted by the National Conferences of Commissioners on Uniform State Laws in July 2006 and enacted in the Commonwealth of Virginia on July 1, 2008 and by the State of New York on September 17, 2010. The Management of the NRA has interpreted UPMIFA as requiring the preservation of the fair value of original donor-restricted endowment gifts as of the date of the gift absent explicit donor stipulations to the contrary. As a result of this interpretation, the NRA classifies as net assets with donor restrictions (a) the original value of cash gifts donated to permanent donor restricted endowment and (b) the discounted value of future gifts promised to permanent donor restricted endowment, net of allowance for uncollectible pledges. The remaining portion of donor restricted endowment funds not classified in net assets with donor restrictions is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the NRA in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the NRA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the NRA and donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the NRA
- The investment policies of the NRA

The NRA has adopted investment and spending policies for donor-restricted endowment assets that attempt to provide a predictable stream of funding to the programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. The investment policy of the NRA is to achieve, at a minimum, a real (inflation adjusted) total net return that exceeds spending policy requirements. Investments are diversified both by asset class and within asset classes. The purpose of diversification is to minimize unsystematic risk and to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the total portfolio. The amount appropriated for expenditure ranges from 1% to 5% of the endowment fund's fair value as of the end of the preceding year, as long as the value of the endowment does not drop below the original contribution(s). All earnings of the endowment are reflected as net assets with donor restrictions until appropriated for expenditure in the form of program spending.

The NRA's endowment is composed solely of donor restricted funds. The changes in endowment net assets for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Endowment net assets, beginning of year	$51,889,998	$ 46,569,526
Interest and dividends, net	475,047	1,725,921
Net (depreciation) appreciation	(3,618,641)	3,279,468
Contributions	1,708,726	2,107,078
Amount appropriated for expenditure	(1,780,774)	(1,791,995)
Endowment net assets, end of year	$48,674,356	$ 51,889,998

The related assets are included in due from affiliates, investments and pledges receivable.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the NRA to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States, deficiencies of this nature that are reported in net assets with donor restrictions as of December 31, 2018 and 2017, were $2,053,356 and $396,736, respectively. The deficiencies in the donor-restricted endowment funds at December 31, 2018 and 2017, resulted from unfavorable market fluctuations and the continued appropriation of endowment assets, which was deemed prudent by the NRA. The total amount of the original gifts that have fallen below the level that the donor requires as of December 31, 2018 and 2017, were $21,058,804 and $17,735,887, respectively.

The NRA has reclassified $1,420,647 of underwater endowments, from net assets without donor restrictions to net assets with donor restrictions as of January 1, 2017 to conform with the new standards as required by ASU 2016-14.

12. RETIREMENT PLANS

Certain NRA employees participate in a non-contributory, defined benefit retirement plan (the Plan). Benefits under the Plan are generally based on years of service and final average pay. The NRA's policy is to fund pension costs as accrued. Effective January 1, 2008, the NRA amended the Plan so that employees hired on or after January 1, 2008, will not be eligible to participate in the Plan. Effective December 31, 2018, the NRA froze the Plan and employees will no longer earn additional benefits under the Plan.

The primary investment objectives of the Plan are to provide a long-term, risk-controlled approach using diversified investment options. The NRA may consider all asset classes allowed by the Employee Retirement Income Security Act of 1974 and other applicable law as acceptable investment options.

The net periodic pension costs for the years ended December 31, 2018 and 2017 consist of the following:

	2018	2017
Service cost - benefits earned during the year	$ 3,344,289	$ 3,303,061
Interest cost on projected benefit obligation	6,011,108	5,648,941
Return on plan assets	(7,552,421)	(6,244,120)
Recognized net actuarial loss	2,253,340	3,450,270
Net amortization and deferral	1,362,712	98,035
Net periodic benefit cost	5,419,028	6,256,187
Recognized curtailment loss	8,718,656	-
Other changes	(13,645,761)	(6,778,316)
Net recognized curtailment loss and other changes	(4,927,105)	(6,778,316)
Total recognized in statements of activities	$ 491,923	$ (522,129)

The following table sets forth the changes in the defined benefit pension plan's funded status and the amount of accrued pension costs for the plan years ended December 31, 2018 and 2017 (utilizing a measurement date of December 31):

	2018	2017
Change in benefit obligation:		
Projected benefit obligation at beginning of year	$ 147,957,262	$ 137,051,874
Service cost	3,344,289	3,303,061
Interest cost	6,011,108	5,648,941
Actuarial (gain) loss	(13,322,876)	5,519,857
Benefits paid	(6,452,460)	(3,771,868)
Plan amendments	9,309,837	205,397
Plan curtailments	(12,728,696)	-
Projected benefit obligation at end of year	$ 134,118,464	$ 147,957,262
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 98,260,092	$ 86,832,575
Actual return on plan assets	(7,878,261)	15,199,385
Employer contributions	7,600,000	-
Benefits paid	(6,452,460)	(3,771,868)
Fair value of plan assets at end of year	91,529,371	98,260,092
Accrued pension costs reflected in the statements of financial position in accrued liabilities	$ (42,589,093)	$ (49,697,170)
Accumulated benefit obligation	$ (134,118,464)	$ (132,178,862)
Amounts recognized in net assets without donor restrictions:		
Total net loss	$ 19,611,103	$ 32,485,333
Prior service cost	-	771,531
Total	$ 19,611,103	$ 33,256,864

The total net loss and prior service cost for the defined pension plan that will be amortized from net assets into the net periodic benefit cost over the next year are $880,576 and $0, respectively.

The following weighted-average assumptions were used in calculating the above benefit obligations, net periodic benefit cost and fair value of plan assets at December 31, 2018 and 2017:

	2018	2017
Discount rate used to determine benefit obligation	4.45%	3.90%
Discount rate used to determine net periodic benefit cost	3.90%	4.15%
Rate of compensation increase	4.00%	4.00%
Expected return on plan assets	8.00%	8.00%

The basis used to determine the overall expected long-term rate of return on assets utilizing the target asset allocations established within the plan is based on historical returns.
The asset allocation strategy is based on several factors including:

- The relationship between the current and projected assets of the Plan and the projected actuarial liability stream;
- The historical performance of capital markets adjusted for the perception of future short- and long-term capital market performance;
- The perception of future economic conditions, including inflation and interest rate assumptions.

The asset allocation strategy shall identify target allocations to eligible asset classes and, where appropriate, suitable ranges within which each asset class can fluctuate as a percent of the total fund. Each asset class is to remain suitably invested at all times in either cash (or cash equivalents) or permitted securities within each asset class. The asset classes may be rebalanced from time to time to take advantage of tactical misvaluations across major asset classes or investment styles, or to align the current asset mix with strategic targets.

Following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2018 and 2017.

Multi-strategy equity and fixed income mutual funds and Pooled separate accounts: Primarily valued at the net asset value (NAV) per share based on quoted market prices of the underlying investments as reported by the investment advisor using the audited financial statements of the underlying investments. The individual annuities invest in separate accounts, which track the performance of the specific underlying mutual funds. A valuation agent is selected for each mutual fund and PSA. The valuation of the net assets is calculated on each open market day.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain results in a different fair value measurement at the reporting date.

Investments measured at net asset value (or equivalent) as a practical expedient have not been classified in the fair value hierarchy. The amounts of investments are included below.

At December 31, 2018 and 2017, the fair value and the asset allocation of the NRA's pension plan assets was as follows:

	2018		2017	
Asset category:				
Multi-strategy equity Mutual funds/PSAs	$ 55,411,934	60.5%	$ 61,965,743	63.0%
Multi-strategy fixed income Mutual funds/ PSAs	35,569,933	38.9	36,014,604	36.7
Cash	547,504	0.6	279,745	0.3
	$ 91,529,371	100.0%	$ 98,260,092	100.0%

The NRA contributes to the plan based on actuarially determined amounts necessary to provide assets sufficient to meet benefits to be paid to plan members. NRA annually funds the minimum required contribution. Expected contributions for the plan year ending December 31, 2019 are $4,500,000.

The following plan year benefit payments, which reflect expected future service, as appropriate, are expected to be paid over the next 10 fiscal years:

2019	$ 6,012,421
2020	$ 6,246,760
2021	$ 6,700,276
2022	$ 6,849,292
2023	$ 7,182,166
2024 – 2028 (total)	$ 38,557,012

In addition, in 1997, the NRA established a 401(k) plan for employees. The plan, available to all employees after 90 days of service, permits participants to contribute a portion of their salary on a pre-tax basis. The NRA matches participant contributions based on plan provisions. Participants are 100% vested in employer contributions after three years of service. The vested balance is available to participants at termination, retirement, death, disability, hardships or through eligible loans. Employer contributions to the 401(k) plan totaled $2,569,393 and $2,430,068 for the years ended December 31, 2018 and 2017, respectively.

The NRA also maintains a deferred compensation agreement (the Agreement) for certain officers and employees. The Agreement is offered at the sole discretion of its Board of Directors, which may amend or terminate the Agreement at any time. The Agreement is funded through whole life insurance policies on the plan beneficiaries. The NRA is the policy owner and beneficiary.

Currently, several key employees are enrolled in the Agreement. Management believes that no unfunded liability exists under the Agreement. At December 31, 2018 and 2017, the NRA had assets relating to the cash surrender values of the whole life insurance policies of $4,406,082 and $4,182,192, respectively. At December 31, 2018 and 2017, the NRA had loans against the whole life insurance policies of $3,535,004 and $3,535,370, respectively, with the net included in investments on the statement of financial position. The policies serve as the underlying collateral for the loans and interest on the loans is accrued at rates between 4.20% and 4.25%. The NRA had an accrued postretirement liability of $278,958 and $275,795 at December 31, 2018 and 2017, respectively. Deferred compensation expense for the years ended December 31, 2018 and 2017 was $(30,955) and $71,973 respectively.

The NRA has established a 457(b) deferred compensation plan for the benefit of certain employees. This plan is employee funded, and therefore, the NRA did not contribute to this plan during the years ended December 31, 2018 and 2017. At December 31, 2018 and 2017, the NRA held assets, and had related obligations, relating to this plan of $2,949,908 and $2,886,533, respectively.

The NRA has also established a 457(f) supplemental executive retirement plan for the benefit of certain executives. At December 31, 2018 and 2017, the NRA held assets, and had related obligations, relating to the plan of $1,055,242 and $1,156,982, respectively. The NRA incurred deferred compensation expense of $206,700 for the years ended December 31, 2018 and 2017.

For both plans, the assets are included in other assets and the liabilities are included in accrued liabilities on the statements of financial position.

13. RENTAL OPERATIONS AS LESSOR

The NRA leases a portion of its headquarters building and adjacent property to tenants under various operating leases. These leases include renewal options and escalation clauses and require that the tenants pay for their prorated share of the building operating expenses.

The following is a schedule of minimum future rentals on non-cancellable operating leases as of December 31, 2018:

2019	$ 1,179,547
2020	878,796
2021	775,193
2022	752,222
2023	913,527
2024 & Thereafter	2,079,638
Total minimum future rentals	$ 6,578,923

Total rental income for the years ended December 31, 2018 and 2017 was $1,357,108 and $1,255,235, respectively.

14. COMMITMENTS AND CONTINGENCIES

Leases

The NRA leases warehouse, office space and equipment under non-cancellable operating leases with terms expiring through 2022. The lease agreements for various office space include renewal options and escalation clauses and require that the NRA pay for shared operating expenses.

The annual minimum payments related to these obligations as of December 31, 2018 are as follows:

2019	$	1,414,035
2020		821,277
2021		458,502
2022		194,912
Total minimum payments required	$	2,888,726

Total lease expense for the years ended December 31, 2018 and 2017 was $1,410,079 and $1,298,089, respectively.

Litigation and claims

NRA is subject to various legal proceedings as well as federal and state government agency inquires. In the opinion of the management of the NRA, there are no material pending legal proceedings to which the NRA will be found liable. Management also believes the federal and state inquiries have no merit and will be resolved to the benefit of the NRA.

15. RELATED PARTIES

The NRA and the NRA Foundation are financially interrelated entities as the NRA is able to influence the Foundation's operating and financial decisions as well as the NRA having ongoing economic interest in the net assets of the Foundation. The NRA is affiliated with CRDF, SCF and the FAF by virtue of the control vested with the NRA's Board of Directors to appoint the Board of Trustees of each affiliate. The PVF is a separately unincorporated political action committee of the NRA whose five officers are NRA employees. The NRA provides certain benefits to the affiliates at no cost, among which are the use of office space and other administrative and support services. Management has determined that the fair value of these benefits is minimal, and accordingly, no amounts are reflected in these financial statements.

The Foundation reimburses the NRA for certain expenses, such as salaries, benefits, and general operating expenses, paid by the NRA on the Foundation's behalf. These expenses totaled $17,482,315 and $6,017,801 for the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, $28,501,182 and $29,542,563 respectively, was owed to the NRA and included in due from affiliates for reimbursements and pass through funds still held by the Foundation. In addition, certain qualified NRA programs were funded by Foundation grants totaling $13,498,464 and $18,812,141 for the years ended December 31, 2018 and 2017, respectively.

The CRDF reimburses the NRA for general operating expenses paid by the NRA on the CRDF's behalf. As of December 31, 2018 and 2017, $3,161 and $1,040,733, respectively, was owed to the NRA for general operating expenses and included in due from affiliates.

All permanent employees of the SCF are maintained as employees of the NRA and the SCF reimburses the NRA for the total employee costs including benefits. The SCF reimburses the NRA for certain other expenses paid by the NRA on the SCF's behalf. As of December 31, 2018 and 2017, $192,190 and $148,679, respectively, was owed to the NRA for salaries, insurance and benefits net of certain other expenses owed by the NRA to the SCF and included in due from affiliates. See also Note 6.

The NRA paid administrative and fundraising expenses of $5,105,006 and $2,968,011 for the years ended December 31, 2018 and 2017, respectively, on behalf of the PVF.